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June 20, 2006

AGENDA ITEM 12

TO: MEMBERS OF THE HEALTH BENEFITS COMMITTEE

- I. SUBJECT:** Designation of 2007 Rural Subsidy Service Areas
- II. PROGRAM:** Health Benefits
- III. RECOMMENDATION:** Staff recommends the Committee approve forwarding the list of eligible ZIP codes to the Department of Personnel Administration (DPA) for use in administering its Rural Health Care Equity Program. Staff also recommends the Committee grant to staff the authority to notify DPA of changes to the Board-approved ZIP code list throughout the 2007 plan year.
- IV. ANALYSIS:**

The Rural Health Care Equity Program (RHCEP), administered by DPA, provides reimbursement of specified health care expenses for State employees and annuitants that do not have access to a Health Maintenance Organization (HMO).

The enabling legislation, SB 514, Chesbro, authorized health care reimbursements in rural areas defined as "...an area in which there is no board-approved health maintenance organization plan available for enrollment by state employees or annuitants who live in the area." The law also required the Board to "...determine the rural area for each subsequent fiscal year at the same meeting when the board approves premiums for health maintenance organizations." The legislation established a sunset date of January 1, 2005 for the RHCEP. SB 1105, signed by the Governor on August 11, 2004, extended the sunset date to January 1, 2008.

Attachment 1 displays a preliminary list of California ZIP codes not covered by an HMO, effective January 1, 2007. If the CalPERS Board of Administration approves Blue Shield's Exclusive Provider Organization Proposal (EPO) to no longer provide HMO services in Colusa, Lake, Mendocino, Plumas, and Sierra counties, the listing would expand to include the zip codes contained in

Attachment 2. (WHA will continue to provide HMO services in portions of Colusa County during 2007) Staff will develop the final list upon completion of the 2007 rate renewal process. Staff does not anticipate any additional changes in CalPERS health plans' service areas. Therefore, any subsequent changes to the ZIP codes contained in Attachment 1 & 2 would be due to actions of the U. S. Postal Service.

If the eligible ZIP codes change as a result of an HMO withdrawing from a service area during the year, CalPERS will immediately designate the service area ZIP code(s) as eligible for the RHCEP, and notify DPA of the changes.

In addition, CalPERS provides DPA a list of ZIP codes outside California. This list includes U. S. ZIP codes where active members have no HMO option and are therefore eligible to participate in the rural subsidy program. The list of nearly 40,000 ZIP codes is too extensive to reproduce here.

V. STRATEGIC PLAN:

This item is not a specific product of the Strategic Plan, but is part of the ongoing workload of the Health Benefits Program.

VI. RESULTS/COSTS:

There is no significant cost impact from this item.

Staff is available to respond to any questions.

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Attachments